

TESTIMONY OF JACQUELINE R. CHERRY
FOR
THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
DOCKET NO. 1999-001-E
IN RE: CAROLINA POWER & LIGHT COMPANY

Q. WOULD YOU PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION?

A. My name is Jacqueline R. Cherry. My business address is 101 Executive Center Drive, Columbia, South Carolina. I am employed by the Public Service Commission of South Carolina, Accounting Department, as a utilities accountant.

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I received a B. S. Degree in Business Administration, with a major in Accounting from Johnson C. Smith University in 1976. I was employed by this Commission in February 1979, and have participated in cases involving gas, electric, telephone, water and wastewater utilities.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to set forth, in summary form, the Staff's findings, and recommendations resulting from our review of the Company's fuel adjustment clause operation for the period January 1998 through March 1999. These findings and recommendations are set forth in detail in the Staff's report.

1 **Q. WHAT WAS THE SCOPE OF YOUR AUDIT?**

2 **A.** The Accounting Department Staff traced the fuel information as filed in the
3 Company's required monthly filing, to the Company's books and records. The audit
4 covered the period January 1998 through December 1998. The purpose of the audit
5 was to determine if Carolina Power & Light Company had computed and applied the
6 monthly Fuel Adjustment Clause in accordance with the approved clause. To
7 accomplish this, Staff examined the components surrounding the operation of the
8 clause.

9 **Q. WHAT WERE THE STEPS THAT THE STAFF EMPLOYED WITHIN THE**
10 **SCOPE OF THE AUDIT?**

11 **A.** The examination consisted of the following:

- 12 1. Analysis of Account # 151 – Fuel Stock
- 13 2. Sample of Receipts to the Fuel Stock Account – Account # 151
- 14 3. Verification of Charges to Nuclear Fuel Expense, Account # 518
- 15 4. An Analysis of Purchased Power and Interchange (Net)
- 16 5. Verification of KWH Sales
- 17 6. A Comparison of Coal Costs
- 18 7. Recomputation of Fuel Costs Adjustment Factor and Verification of
- 19 Deferred Fuel Costs
- 20 8. Recomputation of True-up for the (Over)Under-Recovered Fuel Costs
- 21 9. Analysis of Spot Coal Purchasing Procedures

22 **Q. MRS. CHERRY, WOULD YOU ELABORATE ON THE SCOPE OF YOUR**
23 **EXAMINATION?**

24 **A.** Staff's analysis of the Fuel Stock Account consisted of tracing receipts and issues
25 from the Fuel Management System by month to the General Ledger. Staff's sample
26 of receipts to the Fuel Stock Account consisted of randomly selecting transactions,
27 tracing each of these transactions to a waybill and a purchase order for
28 documentation purposes, and recalculating the transactions to insure mathematical
29 correctness. Staff verified nuclear fuel expense amounts to the Company's General

1 Ledger. The expenses were also verified to the monthly fuel reports filed by the
2 Company with this Commission. Staff performed an examination of the Company's
3 purchased power and interchange amount used in the Fuel Adjustment Clause for the
4 period January 1998 through December 1998. Staff obtained the details of
5 purchases and sales made by Carolina Power & Light Company to and from other
6 electric utilities and verified the amounts which are being used in computing total
7 fuel cost for each month. Furthermore, in accordance with PSC Order No. 90-961,
8 Docket No. 90-4-E, dated October 18, 1990, Staff was specifically directed to
9 examine the Company's nonfirm, off-system sales to preclude any possible problems
10 in this area and to include language in its audit procedures to address these matters.
11 Accordingly, Staff traced the sales and purchases transactions for January 1998
12 through December 1998 to the Company's monthly sales and purchases invoices.
13 Staff recomputed all of the sales and purchases. In accordance with Public Service
14 Commission Order No. 90-961, Docket No. 90-4-E, dated October 18, 1990, Staff
15 will continue to review the Company's nonfirm, off-system transactions during
16 future audits. Staff's review of KWH sales included verification of total system
17 sales as filed in the monthly factor computation. Staff prepared exhibits from
18 Carolina Power & Light Company's books and records reflecting coal costs during
19 the review period. Specifically, these exhibits are as follows:

20 Exhibit A – Coal Cost Statistics (and Weighted Average of Coal Received)

21 Exhibit B – Received Coal – Cost Per Ton Per Plant

22 Exhibit C – Received Coal – Cost Per Ton Comparison

23 With reference to Exhibit A, Coal Cost Statistics, Staff has reflected a detailed
24 analysis of spot and contract coal for the twelve-month period January 1998
25 through December 1998. The detail gives emphasis to tons received, cost per ton
26 received, total received cost, percentage of tons received and cost per MBTU. Also,
27 in Exhibit A, the Weighted Average of Coal Received is reflected for the twelve-
28 month period. In Exhibits B and C, Staff reflects a comparison of coal costs on a per

1 ton basis. Exhibit B is a comparison between Carolina Power & Light's plants and
2 Exhibit C is a comparison between companies.

3 Staff analyzed the cumulative under-recovery of fuel costs that the Company had
4 incurred for the period January 1998 through December 1998, totaling \$14,334,022.
5 Staff added the projected under-recovery of \$318,364 for the month of January 1999,
6 the projected over-recovery of \$571,287 for the month of February 1999, and the
7 projected over-recovery of \$1,087,277 for the month of March 1999 to arrive at an
8 cumulative under-recovery of \$12,993,822 as of March 1999. The Company's
9 cumulative under-recovery, per its testimony in Docket No. 1999-001-E, as of
10 December 1998 totals \$14,760,267 and as of March 1999 the cumulative under-
11 recovery totals \$13,420,066. The difference between the Company's and the Staff's
12 cumulative under-recovery as of actual December 1998 is \$426,245 and as of
13 estimated March 1999 the difference is \$426,244. The cumulative difference as of
14 December 1998 of \$426,245 is based on Staff's calculation adjustments to the
15 Company's Purchased Power Costs for January 1998 through December 1998 (per
16 Staff's report), after Staff reviewed the Company's Purchased Power invoices and
17 reports.

18 As stated in Carolina Power & Light's S.C. Retail Adjustment for Fuel Costs Rider,
19 fuel costs will be included in base rates to the extent determined reasonable and
20 proper by the Commission. Accordingly, the Commission should consider the
21 under-recovery of \$12,993,822 along with the anticipated fuel costs for the period
22 April 1, 1999 through March 31, 2000, for the purpose of determining the base costs
23 of fuel in base rates effective April 1, 1999. The \$12,993,822 under-recovery figure
24 was provided to the Commission's Utilities Department. Refer to Exhibit G, South
25 Carolina Fuel Costs Computation, for details of the under-recovery computation.

26 **Q. MRS. CHERRY, WHAT WERE THE RESULTS OF THE ACCOUNTING**
27 **DEPARTMENT'S AUDIT?**

28 **A.** Based on the Staff's examination of Carolina Power & Light Company's books and
29 records, a comparison of fuel costs among utilities, and the utilization of the fuel

1 costs recovery mechanisms as directed by this Commission, the Accounting
2 Department is of the opinion that the Company has complied with the directives of
3 the Commission.

4 **Q. MRS. CHERRY, WOULD YOU IDENTIFY THE REMAINING EXHIBITS**
5 **CONTAINED IN YOUR REPORT WHICH HAVE NOT BEEN**
6 **IDENTIFIED?**

7 **A.** The exhibits are as follows:

8 Exhibit D – Coal Fuel Stocks – Number of Days of Supply (All Plants)

9 Exhibit E – Total Burned Costs (Fossil and Nuclear)

10 Exhibit F – Cost of Fuel

11 Exhibit G – S.C. Fuel Costs Computation

12 **Q. MRS. CHERRY, DOES THIS CONCLUDE YOUR TESTIMONY?**

13 **A.** Yes, it does.